OFFICE OF FISCAL ANALYSIS
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sSB-1401
AN ACT ESTABLISHING DISASTER SAVINGS ACCOUNTS AND A RELATED TAX DEDUCTION AND CREDIT.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 $	FY 27 $
Department of Revenue Services	GF - Revenue Loss	Up to 40,000	Up to 210,000
Department of Revenue Services	GF - Cost Impact	Up to 175,000	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes a disaster savings program and associated personal income tax deduction and business tax credit, results in a (1) General Fund revenue loss of up to $40,000 in FY 26 and up to $210,000 in FY 27, and (2) one-time General Fund cost of up to $175,000 in FY 26 only.

Personal Income Tax Deduction

The personal income tax deduction for qualifying account contributions, accrued interest, and withdrawals is estimated to result in an annual General Fund revenue loss of up to $40,000 beginning in FY 26. This assumes approximately 260 accounts annually based on data from Alabama and Mississippi indicating that, on average, 0.03% of taxpayers establish disaster savings accounts with an average contribution of approximately $3,300 each.

Primary Analyst: CW 3/26/25
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Business Tax Credit

The credit for employer contributions is estimated to result in a General Fund revenue loss of up to $170,000 in FY 27 and up to $90,000 annually thereafter.[1] This estimate assumes the same level of qualifying accounts as the estimate for the personal income tax deduction.

Department of Revenue Services (DRS) Cost

The bill also results in a one-time cost of up to $175,000 to the DRS in FY 26 associated with programming updates to the CTax tax administration system and myconneCT online portal, form modification, and printing/mailing costs.

The Out Years

The bill results in an ongoing revenue loss estimated at up to $130,000 annually beginning in FY 28.

Sources: *Alabama Department of Revenue*
Mississippi Department of Revenue

[1] The estimated revenue loss is larger in FY 27 as the bill specifies that, for the 2026 tax year only, the credit may be claimed for contributions made in both the 2025 and 2026 tax years.